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ARIZONA CORPORATION COMMISSION

December 22, 2004

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Dear Colleagues

Last week I represented our Commission in Washington, D.C. public meetings held by the U.S. Department of Transportation, Office of Pipeline Safety. The conference focused on a number of important issues. Of particular interest to our Commission were the discussions and decisions related to:

- Improving public awareness and education;
- Enhancing integrity management practices;
- Reporting of drug and alcohol testing of subcontractors;
- Operator training.

API Recommended Practice (RP) 1162 provides public awareness program standards for gas and hazardous liquid operators. It expands Title 49 part 196.614, the public education component of federal regulations for pipeline operation. The result should be improved communication to public safety personnel and the Office of Pipeline Safety, especially under crisis conditions. Each operator must now have a public awareness plan that is auditable by OPS reflecting the requirements of RP 1162. The vote of approval was unanimous.

Discussions also focused on enhancing integrity management (IM) programs. IM works to insure that the pipeline systems are in a safe working condition. That two high level U.S. Department of Transportation (DOT) administrators spoke at the meeting underscores the seriousness of this topic to Congress and Secretary Maneta. Samuel Bonasco, Research and Special Programs Administrator, provided introductory remarks. DOT Inspector General Ken Mead presented his integrity management findings. Mr. Mead reported that overall pipeline safety is improving. The workgroup concluded that transmission integrity management techniques are inappropriate for distribution systems. Instead, distribution system approaches with flexibility for state and local differences are needed.

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Another outcome of the week was the extension of Current DOT policy regarding reporting of drug and alcohol results by contractors who work for DOT regulated entities. Subcontractors already perform the required tests but do not forward this information. Subcontractors will now forward drug and alcohol results to the operator for who they worked. The operators will then forward the drug and alcohol test results to DOT.

OPS is creating a standard much like RP 1162 to unify operator approaches to insure that pipeline operators are qualified to perform the required tasks. The standard will be ready for public comment in March, 2005. At that time our Arizona Office of Pipeline Safety will be writing comments as to the applicability and appropriateness of the standards.

One final note, Stacey Gerard, Associate Administrator for OPS, did an excellent job of organizing these committee meetings. Ms. Gerard appears to have gained the confidence of her supervisors, staff, and the varied members of the pipeline community. Committee Chair Linda Kelly, a fellow Commissioner from Connecticut, was very effective in keeping the meeting focused and productive.

Sincerely,

A handwritten signature in cursive script that reads "Jeff Hatch-Miller". The signature is written in dark ink and is positioned above the printed name.

Jeff Hatch-Miller, Commissioner
Arizona Corporation Commission

JHM:tm

Cc: Brian McNeil
Alan Bohnenkamp
Corky Hanson